

TRANSMITTAL SLIP

30 JUN 1966

TO:

AC/IB

ROOM NO.

406

BUILDING

Magazine

REMARKS:

FROM:

C/BSD

ROOM NO.

BUILDING

EXTENSION

STAT E47

Headquarters

FORM NO 241  
1 FEB 55REPLACES FORM 36-8  
WHICH MAY BE USED.

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30 JUN 1966

Mr. Andrew E. Ruddle, Director  
 Bureau of Retirement and Insurance  
 United States Civil Service Commission  
 Washington, D. C. 20415

Dear Mr. Ruddle:

I have been authorized by the Board of Directors, Government Employees Health Association, Inc., to respond to your letter of 5 May 1966 and to set forth in this letter proposed changes in benefits which the Board is contemplating for our Association Benefit Plan for the forthcoming contract year.

Let me first say that our underwriter has informed us of the possibility of an experience rate increase for the next contract period. Their preliminary review was based on a study of our claims experience for only a five-month period and their final position cannot be supplied until 1 August 1966. Although final figures are not presently available, the possibility of a rate increase had to be considered by the Board in determining benefit changes that it might wish to make in our present plan. For this reason, may we ask that you consider this letter a declaration of our intent to make certain benefit changes as specified below. We will, of course, inform you as quickly as possible of the Board's final decision, but in view of the deadline date of 10 June 1966 specified in your letter of 5 May 1966, we wish to record these proposed changes with you now.

a. The Board requests approval to eliminate its present Low Option plan.

b. In our letter of 21 June 1965, we reported that we would consider as a priority item benefit improvements in the area of mental illness. Our plan already contains substantial coverage, but in keeping with the spirit of your communications on this matter and the vital need involved, we propose the following benefit changes:

(1) To ~~include~~ attempted suicide associated with a mental illness as any other accident or sickness while hospital confined and as a mental or nervous condition if not hospital confined.

*Doing this now*

(2) To pay out of hospital drugs for mental and nervous conditions at 80% rather than the present 50%.

(3) To consider alcoholism and drug addiction associated with a mental illness as a covered expense.

c. We wish also to increase the daily room and board benefit from \$25 to \$30 per day.

Information on the charges for these changes to the Association Benefit High Option Plan as well as on any experience rate increase will be submitted before your deadline of 31 August 1966, as specified in your letter of 5 May 1966, or as soon before that date as we possibly can.

We are available for discussion of the contents of this letter as you may wish.


Very truly yours,



President

Distribution:

- 0 & 2 - Addressee
- 1 - Conway, Mutual of Omaha
- 1 - Jones, Mutual of Omaha
- ✓ 1 - AC/IB
- 1 - C/BSB

OP/BSB  bhd (30 June 1966)

UNITED STATES CIVIL SERVICE COMMISSION  
BUREAU OF RETIREMENT AND INSURANCE  
WASHINGTON, D.C. 20415

IN REPLY PLEASE REFER TO

RI:INS

May 5, 1966

YOUR REFERENCE

STAT

[Redacted]  
President  
Government Employees Health  
Association, Inc.  
Post Office Box 463  
Washington, D. C. 20004

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Dear [Redacted]

This letter is our annual reminder to all carriers participating in the Federal Employees Health Benefits Program concerning the submission of rate and benefit proposals for the next contract term beginning January 1, 1967.

1. DEADLINE DATES FOR PROPOSALS

Deadline dates for the submission of proposed changes in health benefits plans are established by regulation. The last day for proposals for changes in benefits is June 30, 1966 - for changes in subscription charges, August 31, 1966. No extensions beyond these dates can be granted and we cannot consider until January 1, 1967 any proposals received after these dates.

For the reasons mentioned in item 10, we would appreciate your firm proposals for first, your benefits and second, your rates (or both together if feasible) as soon as you can possibly submit them, leaving the deadline dates for necessary last minute changes.

2. OPEN SEASON

As has been announced in the Federal Register of April 26, the Commission proposes to hold an open season for employees and annuitants during the period November 14 - 30, 1966, with enrollment changes to be effective the first pay period in January 1967. Any carrier comments on the open-season proposal must be submitted to us before May 27 to be considered. Although the Commission's final decision will not be made until after that date, you should assume in your planning that an open season will be scheduled by the Commission as proposed. Information following in this letter is based on this assumption. If the Commission's final decision is not to have an open season you will be promptly informed.

### 3. DISTRIBUTION OF BROCHURES

Several details about the distribution of brochures are still to be worked out so we will let you know later what arrangements will be made. In view of the fact that we have not had a general distribution of brochures since the open season in October 1963, we tentatively plan to have each employee and annuitant receive a revised brochure of the plan in which he is currently enrolled, with revised brochures of other plans being available upon request. The new brochures will be a different color than any previously used and the brochure of each plan will probably include a listing of the material changes being made in its benefits and rates for 1967.

### 4. CHANGES IN BENEFITS

You are free to propose increases or reductions in benefits. For the last two years we have discouraged material changes in benefits because open seasons have not been scheduled. If you have held back some proposals for desirable adjustments in your plan because they would have resulted in benefit reductions, now is the time to submit them.

We proposed last year that each carrier bring its plan's benefits for mental illness up to the minimum specifications recommended by the National Institute of Mental Health. We said this should be done "at latest, for the year beginning January 1, 1967". Some plans have been gradually improving mental illness benefits over the past two years, some have indicated they would improve this year, a few have done nothing. Regardless of the category in which you fall, we request that you carefully match your plan's benefits for mental illness against the suggested minimum specifications and propose the necessary changes to substantially meet the recommended minimal levels, especially for out-of-hospital care. We cannot continue to justify inadequacies in the protection afforded by plans under the Federal employee program in this area where the need is so vital. We are not enclosing the specifications since they have been sent to carriers on two occasions but if you have misplaced your copies we will be glad to send you another.

We also urge carriers to review their plans to be sure that they do not, by technical construction of the benefit language, exclude new surgical and medical procedures which have been developed during the last few years and are being used with some frequency - for example, hemodialysis.

### 5. INCORPORATION OF BROCHURES IN CONTRACT

For many of the plans participating in the program the brochure has been successfully incorporated by reference in the contract as the statement of benefits provided by the plan. At least one of these

plans is underwritten by an insurance company and the brochure is similarly made part of the policy issued by the underwriter. Since we have consistently held, with your concurrence, that employees are entitled to rely on the statements in the brochure, it is for all purposes the contract statement of benefits. As you know, our major effort in achieving agreement on benefits and changes in benefits is in the drafting of the brochure language. Thereafter, we attempt to make the contract (or underwriter's policy) conform to the brochure. Incorporation of the brochure in the contract eliminates this last unnecessary and time-consuming chore.

Therefore, where it is not already being done and unless there is some legal impediment to such a procedure, we are strongly urging that contracts for 1967 be revised to incorporate the brochure as the statement of the benefits provided. Contract provisions not contained in or appropriate for the brochure will, of course, remain in the contract or policy.

#### 6. METHOD OF SUBMITTING BENEFIT PROPOSALS

Written benefit-change proposals should be submitted in duplicate. The proposed changes should not only be specifically described but also be in proper form for inclusion in your brochure. Try the language for each proposed change in the appropriate place in the brochure to see if it fits, and whether the intent is clear and not in conflict with other provisions. In fact, we would prefer that, in addition to the specific proposals for changes, you send us a current brochure marked up to show the revisions you believe are necessary to reflect the changes. This would also be the time to review the entire brochure to see that it accurately reflects the benefits you intend your plan to provide.

#### 7. PROPOSALS TO ELIMINATE LOW OPTIONS

Assuming there will be an open season, we will approve proposals to eliminate low options, except in the two Governmentwide plans which are required by law to offer two options. If a low option is withdrawn, employees enrolled in it will automatically be transferred to the high option of the same plan unless they change to another plan during the open season. All reserves attributable to the low option will be available for use by the remaining option. Plans with a small low-option enrollment are especially urged to consider making such a proposal.

#### 8. CHANGES IN SUBSCRIPTION CHARGES

Although final proposals for rate changes are not due until August 31, 1966, if you know that increases are necessary we ask that you submit tentative proposals with presently available justification on or before

June 30. This will give us more time to review your needs and still leave you free to revise your proposals any time up to August 31.

Please show in your proposal your best estimate as to what portion of an increase (or decrease) is attributable to each specific change in benefits and, by option, what portion is necessary because of past and anticipated claims experience. Justification of an increase for experience-rated plans should be based on and accompanied by a forecast similar to that which you gave us last year. Your calculations should take into account the amount payable (or available in whole or part to group-practice plans upon justification) from the Contingency Reserve held in the Health Benefits Fund.

Proposals for changes in subscription charges should be submitted as biweekly net-to-carrier contract rates (not brochure rates which include a 4% overlay for Administrative and Contingency Reserves).

9. POSSIBLE INCREASE IN GOVERNMENT CONTRIBUTION

Although we cannot predict what legislation Congress will enact, it is quite likely that legislation will be passed to increase the Government contribution. The amount of the increase, if any, and its effective date will very likely be known before the deadline dates for proposals. However, we would suggest that you do not let such an increase influence your determination as to the need for or amount of a change in rate.

We appreciate that an increase in the Government contribution may be an influencing factor on your benefit proposals. We wish, therefore, that we could be more definite in this regard, but all we can offer as a guide is:

- a) The President's recommendation is that the Government's biweekly contribution be increased in two stages; to \$1.49 self only and \$3.61 family effective January 1, 1967, and to \$1.68 and \$4.10 effective January 1, 1968. These figures include the 4% overlay for Administrative and Contingency Reserves.
- b) A bill (H.R. 14122) recently passed by the House of Representatives and now being considered by the Senate would increase the Government's biweekly contribution to the \$1.68 and \$4.10 mentioned in (a) effective July 1, 1966.

In either case, the Government contribution could not exceed 50% of the subscription charge and would no longer be determined by the charge for the least expensive option offered by the Governmentwide plans. As stated, we cannot say at this time what, if anything, will be enacted.

10. IMPORTANT - PLEASE RUSH

In order to have brochures at agency field installations for distribution to employees in time for the proposed open season on November 14, the Government Printing Office will have to start printing them on September 1. This means that we must have completed consultation with you on brochure language and have final galley proofs, except for possible changes in rates, by August 31 at the latest. To do this we have to start sending first-copy for some of the plans to GPO before June 30.

As you can see, the schedule will be extremely tight this year. Anything you can do to get your proposals in early and in brochure language form and to expedite clearances of proofs as we get them to you will help to get the job done on time. Brochures that are late will just not be available to employees during the open season.

Sincerely yours,

*Andrew E. Ruddock*

Andrew E. Ruddock  
Director